

Wales Funders Forum 27 October 2003

OUTCOMES FUNDING: WHAT IS IT AND WHAT ARE THE CONSEQUENCES?

Introduction

I was doing some work last year for the Community Fund¹ which involved some web based searches of the grant-making practice of several US grant-makers. One of these was the W.K. Kellogg Foundation. The preface to one of their reports on grant-making is:

If you don't know where you're going, how are you gonna know when you get there?

This is a Yogi-ism, one of the many treasured phrases from Yogi Berra, the US baseball star of the 40's and 50's. Yogi came up with some marvellously mangled phrases – some of which had a basic relevance, such as the one the W.K. Kellogg Foundation used; others perhaps less so:

- *When you come to a fork in the road, take it*
- *That place is so crowded noone goes there anymore*
- *The future ain't what it used to be*

Anyway, the Kellogg quote sums up rather well one of the two interlinked themes of my contribution to this event – drawing on the report I did for the Community Fund:

For the individual grant:

- how a funder and a grant applicant can set and validate the outcomes of the work that a grant is intended to make possible?

And second:

- how far should a funder go in helping to shape and steer the work of the organisations that it decides to support – whether or not to adopt some version of what's been called 'the Investor Approach'?

For most grant-makers, there will be two dimensions to this: not only the individual grant but also the grant programme from within which the grant is made:

- what outcomes is the funder hoping to achieve through this grant programme?
- and:
- how engaged is the funder going to be in the direction, conduct, evaluation and promotion of the results of and lessons learnt from the grant programme?

Joel Joffe, the former Chair of the Allied Dunbar Charitable Trust, now the chair of The Giving Campaign, wrote in 1998 in his Foreword to *Monitoring and Evaluation*, the Association of Charitable Foundation's 'practical guide for grant-making trusts':

¹ The Investor Approach – a way forward for the Community Fund? (June 2002)

“All trusts and foundations are in the business of bringing about some form of positive change, and giving grants is the means by which we set out to do this. And yet, all too often grant-makers focus on the giving itself rather than the outcomes of the giving. Having given, they frequently fail to ask the key questions: has our grant made a difference? Has it contributed towards positive change, towards improving the quality of life of others? Has it achieved what we intended it to achieve, and – very important – has it represented value for money?”

Surely it is only ‘good practice’?

It may seem self-evident that any grant-maker – whether within the charitable or public sectors – would need to be clear about the outcomes they aspired to achieve through their grant-making and the levels of involvement they might need to have (if any) with the organisations that they supported in order for those outcomes to be achieved.

How else could you decide how to allocate resources, time, skills etc to the grant-making process?

Yet, with some notable exceptions, the practice of most grant-makers in the UK has not been constructed to answer all these questions effectively.

For example, when I was Director of the Baring Foundation we were probably ahead of the game in our ability to report in considerable detail on the activities we funded – what, where, for whom; we were good on amounts and quantity; in the jargon, we were very informative about inputs and outputs. This proved invaluable when the press suddenly got interested in us after the Baring Bank crisis removed the source of 85% of our income; our data base and information management systems meant we could send within a few minutes pie charts and tables to any journalist who asked for factual information about what we funded.

But if one of those journalists – or one of my trustees – had asked:

- What had been the impact of the grant programme? What had been achieved?
- What had been the difference made to the lives of the 100’s of people that were being assisted by the organisations who were in receipt of the grants we had provided?
- What had worked and why?

I’d have had to resort to anecdote and example. We were good at ‘counting the beans’ but we had no real overall evidence of the results – the outcomes or the impact; we could provide little or no solid evidence of the quality of what had been achieved and what lessons had been learnt.

The Community Fund is currently reconfiguring its whole approach to grant-making so that it – and the organisations it supports – can be explicit about the outcomes their grants are intended to make possible. In an excellent guide

prepared for the Fund by Charities Evaluation Services: *Your Project and its Outcomes*², they set out their intentions as follows:

“Many voluntary-sector organisations are familiar with describing what they do and identifying who they work with.

“But you also need to identify the changes that come about from the work you do.

“We call these ‘outcomes’.

“We want to show that our grants are making a difference and bringing about changes in people’s lives. So in our grant-making we are now emphasising the difference our grants make.

“Information on outcomes will help you to show us – and your other funders – that our money is making a difference.

“It will also help you to plan, develop and improve your work.”

We might return later to discuss whether those last 2 aims are the right way round – many commentators on outcomes funding would argue that the primary purpose has to be to help the organisation that is providing the service or activity to “plan, develop and improve” their work – the funder’s interests should be secondary.

In the report I was commissioned by the Community Fund to produce last year I argued that:

“Any organisation should endeavour to:

- set out clear outcomes and performance targets which a particular function or new project is intended to deliver
- be clear in advance about the steps that it will take to achieve those targets
- have a procedure for stocktaking as they complete each step
- be ready to adjust or amend the targets/timetable/methods if their experience and learning demonstrate that to do so would be appropriate
- establish a system of keeping those organisations that are helping them (with funds or other resources) informed positively about progress and learning.”

And I went on to observe that:

“For a funder to expect applicants and grant recipients to adopt such good management practice would itself, therefore, seem to be good practice. So, too, would be a willingness on the part of the funder to invest time and resources in helping those organisations which it wants to support but which do not as yet have the capacity or skills to set, measure and manage outcomes.”

Addressing the need for that capacity is at the core of the link between outcomes and the ‘investor approach’ to grant-making.

² Sally Cupitt with Jean Ellis *Your Project and its Outcomes* Community Fund March 2003

Definitions – the need for clarity

In the Community Fund report I devoted a whole section to what I described as ‘the jungle of terms and confusing definitions’. This is an area of debate in which the same terms seem to have several different meanings.

The four key terms are Inputs, Outputs, Outcomes, Impact.

There seems to be general agreement about the meaning of the first two:

- Inputs – the resources that are to be used to run a service, project, organisation or programme; the money, people, facilities, equipment
- Outputs – the numbers of people helped, doors painted, leaflets distributed, hits on a web page;

Inputs and outputs are quantifiable and relatively straightforward to measure. The trouble is that – probably as a result – that is often where things stop. The trustees of the voluntary and community organisations that are the grant recipients are content with graphs or tables showing the quantity of the activities that they are providing; the funders are happy that the grantee has delivered the numbers.

The hard stuff is getting some clarity and valid measures of outcomes and longer term impact; they may not be so easily quantifiable – indeed attempts to quantify may distort them. And there are some thorny definition problems, not least because some commentators seem to use the terms interchangeably and very loosely.³

The Charities Evaluation Services Guide (which is Plain English approved) defines outcomes as:

“all the changes and effects that happen as a result of your work”

The definitions confetti is not just about the distinction between outputs and outcomes – there’s some equally painful and pedantic debate about the distinction between outcomes and impact. The CES definition is:

Impact: “is long-term change - the broad, longer-term effects of your work.”

Some other commentators would add that it is important to identify unintended as well as intended outcomes and include them both in any analysis.

Others emphasise the importance of disentangling ‘hard’ from ‘soft’ outcomes and introduce the notion of ‘distance travelled’ as a key element of any attempt to introduce an outcomes approach to the work of an organisation. In a recent

³ The Outcomes and Impact literature in the UK is growing - NCVO, for example, have produced 2 useful booklets on *Measuring Impact* – one, published last year, sets out the arguments and lists useful resources; the other, published this year, includes a number of case studies.

study⁴ – linked to a ‘tool kit’ for practitioners – published by the Department of Work and Pensions, these terms were defined as follows:

Hard Outcomes “are the clearly definable and quantifiable results that show the progress a beneficiary has made towards achieving desirable outcomes by participating in a project (e.g. obtaining a qualification, getting a job). Hard outcomes are usually straightforward both to identify and to measure.”

Soft Outcomes are “those outcomes that represent intermediary stages on the way to achieving a hard outcome (e.g. improved problem-solving abilities, improved self-confidence). It can be more difficult to define or measure them – although they may be the main outcomes achieved by the most disadvantaged groups.”

Distance Travelled “refers to the progress beneficiaries make in achieving soft outcomes that lead towards sustained employment or associated hard outcomes, as a result of participating in a project and against an initial baseline set on joining it. By definition, measuring distance travelled will require assessing clients on two or more separate occasions to understand what has been achieved.”

Another recent government publication which, perhaps unexpectedly dives into outcomes funding for the voluntary sector is the new Treasury Guidance to Funders on Improving relationships for voluntary and community organisations⁵ to which there is reference in the Wales Funders Forum latest newsletter, *Funders News*. This is the Treasury response to the challenge in the Cross Cutting Review of *the Role of the Voluntary and Community Sector in Service Delivery* (2002) that too often the cry ‘that’s against Treasury rules’ goes up when a proposal is made to ease some particularly restrictive funding system. It’s a document worth going through as it has some surprises to reveal about how much more flexible government funding can be that we often think. It’s also pretty clear about outputs and outcomes:

- Outputs “usually refer to measurable or numerical results from any given input of resources (e.g. shorter hospital waiting lists)”
- Outcomes “usually refers to the generic result of any, or a series, of inputs and outputs (e.g. better health).”

And it also provides encouragement to those who want to persuade statutory funders to look beyond ‘bean counting’ type performance measurement systems:

4.35 “Conventional applications for grant funding, or contractual relationships between a funding body and voluntary or community sector bodies, can sometimes focus to an unhelpful degree on inputs (that is, how much resource is applied to a problem). Similarly, conventional evaluation is often primarily

⁴ *Measuring Soft Outcomes and Distance Travelled* Department for Work and Pensions 2003

⁵ Guidance to Funders Improving relationships for voluntary and community organisations H M Treasury (September 2003)

focussed on outputs (i.e. quantitative measures of a good or service provided). A funding body can disburse monies, either as contractual payments or grants, in accordance with recognised 'best practice', yet still not be wholly sure that desired outcomes have been achieved."

4.36 "The definition of the qualitative results desired as a result of funding, and the measurement of performance against these targets (analysis by outcomes), can be an effective way of demonstrating that value for money has been obtained. Approaches that examine the outcomes of funding, as well as the numerical outputs – using qualitative as well as quantitative measures – are increasingly well established."

World Bank

Enough of all this semantic stuff I can hear the restless among you grumbling – let's get real and apply all this to something practical!

OK, here's a World Bank example – nothing to do with charities or the voluntary sector!

This is about the monitoring of a loan to control a particularly harmful emission from diesel buses, PM10⁶:

- ***The input:*** financial and technical assistance
- ***The output:*** the number of new engines installed
- ***The outcome:*** the reduced PM10 emissions from buses
- ***The impact:*** reductions in ambient concentrations of PM10 in previously polluted areas and reductions in health problems caused by respiratory diseases.

One more practical example from the USA: a Foundation that has thought long and hard – and lucidly – about these issues and has a web site that is well worth a visit: the Edna McConnell Clark Foundation.

They define outcomes as:

“the ‘enduring changes’ in conditions that are achieved as a result of efforts undertaken”...

...and have adopted a number of definitions relating to outcome management that are appropriate to their aspiration to influence developments at a number of levels:

- “The *individual level*” – which includes changes in people's knowledge, skills, abilities, and attitudes;

⁶ “PM10 is particulate matter (PM) with a mass median aerodynamic diameter less than 10 micrometers; PM10 is therefore particulate matter which is very small, remains suspended in the air for periods of time, and is easily inhaled into the deep lung. Increased death (mortality) and disease (morbidity) have been linked to periods of high outdoor PM10 concentrations.” *The Rocky Mountain Center for Occupational and Environmental Health at the University of Utah.*

- “The *organizational level*” – which includes building new capacity and the adoption of new policies and practice;
- “The *neighbourhood or community level*” – which, depending on the particular aim of the grant programme, could include changes in job training or local employment rates, crime rates, school achievement rates, use of public spaces and community facilities and so on;
- “The *policy level*” – which might include the adoption of new laws, regulations or quality standards, public and private sector funding practices, and so on.

I would have thought that many UK funders would share a similar ladder of aspirations.

The only addition I would add to the list of outcome levels about which funders should be concerned is their own performance.

On that, I commend to you another US source: *Indicators of Effectiveness – Understanding and Improving Foundation Effectiveness*, published last year by the Centre for Effective Philanthropy; this combines in a single, reasonably coherent set of indicators those that measure the outcomes of the work a grant-making organisation funds together with measures of their own grant-making strategy, operations management and governance.
(Website: www.effectivephilanthropy.org)

While on the web, have a look at:

<http://national.unitedway.org/outcomes/resources/What/intro.cfm>

United Way has invested a lot of resources and intellectual effort in developing and documenting an approach to outcomes that provides some useful experience and guidance for other funders.

Health Warning!

We will return later to some of the policy and practical questions that need to be addressed if a funder is seriously trying to implement outcomes into their strategy and ways of working; first though a ‘health warning’.

As one of the responses to the consultations about the report that I prepared for the Community Fund report stated:

“The funding community in the UK must avoid the fashionable trends and models, the quick fixes, the magic bullets, and the golden promises.

“Actually funding outcomes, and developing an outcome orientation, is a slow process that requires dedication and hard work and must take place in conjunction with the funded.

“It cannot be imposed as a new system overnight”.

I couldn't agree more – and argued in the report that a funder ‘cannot afford...to introduce a flawed system or even to introduce a good system clumsily.’

And Richard Gutch (Director for England and the UK at the Community Fund) – who is leading the work in the Fund on Outcomes – has acknowledged that:

“Outcome funding is one of those concepts which is both disarmingly simple and, in the wrong hands, alarmingly complicated.”

Implementation Challenges

So what are the operational challenges raised by all this? Here are three – though I expect (hope) you will have lots more.

- Time – when to measure? (Grant periods seldom aligned to the time it will take to resolve complex problems – how can you judge outcomes or impact after just a couple of or three years?)
- Variables – the issue of attribution – how to allow for all the other internal and external factors which contribute to an outcome?
- User involvement in definition and verification – neither just a funder driven system or a provider's goals agenda – how to take proper account of user aspirations and experience? If the approach to outcome setting and measurement in an organisation or project is not directly relevant and meaningful to the users of or participants in that organisation's services, I reckon the approach is bound to be flawed.

The Challenges to Funders

Funders may be getting more interested in the outcomes and the impact of what they support – but this new interest poses some major challenges for them and the ways they work.

I think that the past practice of funders – in the charitable and public sectors – has been a significant cause of the general inability of many voluntary and community sector organisations to provide sustained data and evidence of the outcomes and impact of their efforts:

- grant-makers have concentrated on short-term support, tied to tangible and measurable outputs and quantitative monitoring – success is measured by compliance not by achievement
- their application forms and programme priorities have tended to concentrate on the activities that their funds will be used to pay for – not the changes in the life experiences or opportunities of the people and communities who are the intended beneficiaries

- grant-makers may have asked how an organisation will evaluate its work and what indicators of success it will use – but they seldom provide sufficient funds to pay for the necessary information gathering or for the resources and time needed to analyse and make use of the lessons learnt
- too often grantee organisations sweat gallons on completing complicated monitoring reports (too often, as well, several completely different forms for different funders – the lack of collaboration between funders is fantastically wasteful of everyone’s time) and then, adding insult to injury, no use seems to be made of the reports – they get no feedback or comment – it’s as if the key achievement is the completion of the monitoring form, not the content of the work itself.

So I believe many grant-makers have to reform themselves if they want to learn more from the organisations they support about lasting value – what works and why – and, therefore, what they should support more (or less) of.

The Challenge to Grant Seekers

But, ever even-handed, I also think that outcomes funding represents a challenge to grant-seekers; they have tended to collude with the superficiality which I attribute to grant-makers; that fundraisers are especially prone to celebrating – and not going beyond – outputs and activities. Perhaps their impatience to get results and their enthusiasm for simplistic marketing and fundraising messages gets in the way of the investment of time, effort and skills that are needed to be able to identify, report accurately on – and to celebrate – long term impact. Quoting the numbers – how many attended a centre, received information from an advice service, were trained, participated in an activity – is so much easier than trying, clearly and coherently, to explain the qualitative achievements (or failures – with lessons learnt), the outcomes and the lasting impact.

Is it all worth the trouble and effort?

It’s understandable if many in the voluntary sector, faced with yet another set of demands from a funding body for reports on outcomes, groan with a resigned weariness – and see the whole debate as being either part of a compliance and target fixated obsession and/or some additional regulatory onslaught. It’s not surprising if voluntary organisations get fed up when they have to spend hours of what feels like totally unproductive time filling in forms and ticking boxes.

It may be an understandable response to the whole issue – but it would, I believe be wrong.

As would the response from funders that surely this must involve a lot of effort? Is it worth it when only small grants are involved?

My response to those questions would be that if the organisations that a funder wants to support have not already established clear outcomes for their work, then maybe it would be sensible to help ensure that they can – not just to please or

pacify funders, but because it will probably help them ensure that their organisations are better managed and that they provide better services.

The outcomes/impact debate can be a positive development if it means that the voluntary and charity sector adopts and shapes the outcomes agenda for its own use; if grant-makers and grant-seekers ask themselves – systematically, intelligently and simply – how can they demonstrate that their work is delivering real benefits?

The answer to that question can, I believe, enhance the sector's ability to:

- inform and improve their work and the understanding of it within the wider community
- explain, perhaps inspire, current or potential users of the services they provide
- motivate and support, again perhaps inspire, staff, volunteers and trustees
- report to donors and other funders more fully and enhance not only the prospects of future funding but also encourage grant-makers to have more confidence in the work they are supporting
- demonstrate to government, centrally or locally, the value of a services that have been developed and the case for their replication or 'cloning' elsewhere
- promote on a wider stage the value of what has been achieved – use what has been learnt to influence and inform policy makers, researchers, the media.

It's potentially a considerable asset to efforts to build or restore trust and confidence in charities and the voluntary sector.

Outcomes Funding – action

Now four issues that I think funders should address if outcomes funding is something they want to take further:

1. Build on and strengthen what's there – e.g. the grantee's got a good self-evaluation scheme already; can there be any justification for requiring them to adopt a funder's pet system for measuring achievements and the outcomes of their work? Funders must be able to work flexibly and intelligently on this, keeping their demands for information from grantees not only proportionate but to a sensible minimum.
2. Collaborate with other funders – there are likely to be several involved; the *Compact Funding Code*⁷ states that funders should
“take account of the monitoring procedures already agreed by the organisation's other funders and any quality assurance system introduced by the organisation itself. This approach will help reduce the

⁷ The Compact on Relations between the Government and the Voluntary and Community Sector in England: Funding – a Code of Good Practice 2000

staff/volunteer time spent by the funded organisation in reporting in a number of different formats and should in turn reduce the associated costs”

It will now be intriguing to see what is the impact on practice within the voluntary sector as its biggest funder, the Community Fund, adopts an outcome approach – it will increasingly become part of the wallpaper and that is likely to have profound impact on other funders.

3. Invest – funders will have to train up their own staff (so that they are confident, skilled and committed enough to the outcomes approach to avoid a default back to outputs if the pressure gets tough – a default which has certainly occurred within some funders when the ‘culture’ of the organisation has not fully embraced or incorporated an outcomes approach); and also...
4. Invest – in promoting lessons learnt (why require grantees and staff to adopt new tricks if the result is more paper on shelves gathering dust?).

Best practice?

Some final comments for funders about the practicalities of outcomes funding. However far into this a funder chooses to go, for me there are three key ‘best practice’ features that must be in place – the funder must:

1. ensure your assessment/due diligence systems guarantee that, if a grant is agreed, the grantee organisation is capable of delivering the outputs and outcomes that both you and they have agreed – no point in ‘born to fail’ grant-making
2. pay to equip the grantee to deliver if they (or you) recognise that their capacity needs to be strengthened
3. ensure that the learning that can result is primarily an investment in the work and the users, not a self-serving tool for funders – a funder’s need to learn from and apply evaluation of the work that it supports are important, but, I suggest, a secondary purpose.

And, crucially, take time and trouble to ensure that you can articulate clearly:

- what you – and your donors – aspire to achieve with your grants – the outcomes you hope for – and that you expect to be judged on
- what you expect from your grantees – be clear from the start; there’s nothing so irritating as the rules getting changed half-way through
- how you will carry out your side of the deal – the grant-making transaction generates a mutual set of obligations, especially if you are setting out to be a more ‘engaged funder’ – going beyond just supplying cash.

And then, maybe, you will be able to handle Yogi Berra’s question!

David Carrington
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